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WHD56

DOS Review Completed.

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FM THE SITUATION ROOM//TOHAK 97//

TO GENERAL SCOWCROFT

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WH43431

TOHAK 97

NOVEMBER 24, 1974

MEMORANDUM FOR SECRETARY KISSINGER

FROM: THE SITUATION ROOM

SUBJECT: INFORMATION ITEMS

CANADA TO CUT OIL EXPORTS TO U.S.: ACCORDING TO PRESS REPORTS, THE CANADIAN MINISTER OF ENERGY, MINES AND RESOURCES, DONALD MACDONALD, ANNOUNCED ON NOVEMBER 22 THAT CANADIAN EXPORTS OF CRUDE OIL TO THE U.S. MARKET WOULD BE REDUCED BY 100,000 BARRELS A DAY EFFECTIVE JANUARY 1. THE NEW YORK TIMES REPORTS THAT THE CUT WILL REDUCE CANADIAN CRUDE EXPORTS TO 800,000 BARRELS PER DAY AND THAT A FURTHER REDUCTION TO 650,000 BARRELS A DAY MAY BE ORDERED BY NEXT JULY 1 IF THE PROVINCES OF ALBERTA AND SASKATCHEWAN CONCUR. EXPORTS ARE TO BE PHASED OUT COMPLETELY BY THE END OF 1982. MACDONALD SAID THAT THE CUT IN EXPORTS TO THE U.S. WAS REQUIRED BY A PREDICTED DECLINE IN PRODUCTION THAT WILL LEAVE CANADA SHORT OF OIL UNTIL NEW SOURCES COME INTO PRODUCTION IN THE 1980S.

DETAILS REMAIN SKETCHY AND AS YET WE HAVE NO TEXT OF MACDONALD'S REMARKS. PRIOR TO HIS STATEMENT, HOWEVER, STATE DEPARTMENT SOURCES IN OTTAWA REPORTED THAT THE CABINET HAS ACCEPTED ENERGY BOARD RECOMMENDATIONS THAT EXPORTS OF CRUDE TO THE U.S. BE ELIMINATED OVER A FIVE YEAR PERIOD, WITH EXPORTS TO BE KEPT AT THEIR PRESENT BELOW AVERAGE LEVEL DURING 1975 AND THEN REDUCTIONS EACH YEAR THEREAFTER UNTIL 1980. IF PRESS ACCOUNTS ARE CORRECT, THE CANADIANS SEEM TO HAVE STRETCHED THE PERIOD OF REDUCTIONS BY TWO YEARS. (GATES) ARAB CHIEFS OF STAFF TO MEET IN ABU DHABI: CAIRO DOMESTIC SERVICE ANNOUNCED THAT A THREE-DAY CONFERENCE OF ARAB CHIEFS OF STAFF WILL BE HELD IN ABU DHABI AROUND THE BEGINNING OF NEXT MONTH. IT WILL DISCUSS THE COORDINATION OF VARIOUS ARAB MILITARY STANDS AND HEAR EVALUATIONS OF THE OCTOBER WAR BY THE ARAB CHIEFS OF STAFF. THE CONFERENCE WILL ALSO DISCUSS OTHER SECRET MILITARY TOPICS.

ISRAEL WITHDREW \$40 MILLION WITHOUT WARNING OF DEVALUATION: THE EGYPTIAN AMBASSADOR IN WASHINGTON REPORTED THAT ISRAEL HAD ANGERED IMF MEMBERS BY WITHDRAWING \$40 MILLION FROM THE

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FUND TWO DAYS BEFORE ANNOUNCING ITS CURRENCY DEVALUATION. THE FUND'S BOARD OF GOVERNORS FELT IT WAS OBLIGATORY FOR ISRAEL TO HAVE INFORMED THEM OF ITS INTENTIONS WHEN IT WITHDREW THE MONEY.

SUBSIDIARY FIRM IN U.S. INVOLVED IN CUBAN OIL DEAL: ACCORDING TO A PRESS REPORT IN MEXICO, A U.S. SUBSIDIARY OF A EUROPEAN OIL COMPANY (JOC OIL -- A DUTCH-OWNED, BERMUDA-BASED HOLDING COMPANY WITH EXTENSIVE HOLDINGS IN THE U.S.) IS ARRANGING ON SOVIET ACCOUNT FOR THE SALE AND SHIPMENT TO CUBA OF 200,000 BARRELS OF MEXICAN CRUDE PER DAY THROUGH THE REST OF THIS YEAR AT \$11 PER BARREL. IN EXCHANGE FOR THE OIL SHIPPED TO CUBA, JOC OIL WILL RECEIVE A LIKE AMOUNT OF CRUDE FROM THE USSR FOR DELIVERY TO JOC'S MARKETS IN EUROPE. THE PRINCIPAL BENEFIT TO THE USSR, THEREFORE, WILL BE IN THE REDUCTION OF THE TRANSPORTATION COST AND BURDEN. UNTIL NOW THE SOVIET UNION HAS MET DIRECTLY CUBAN OIL REQUIREMENTS OF 160,000 B/D (AT WELL BELOW \$10 PER BARREL). IN OCTOBER THE SOVIETS ARRANGED FOR A ONE-TIME SHIPMENT OF 450,000 TO 500,000 BARRELS OF MEXICAN OIL TO CUBA. THERE HAVE ALSO BEEN PERSISTENT REPORTS THAT THE SOVIETS ARE SEEKING TO WORK OUT AN AGREEMENT WITH VENEZUELA TO SUPPLY CUBAN OIL NEEDS. SUCH AN AGREEMENT COULD FREE AS MANY AS HALF OF THE SOVIET TANKERS NOW ENGAGED IN THE CUBA TRADE FOR SERVICE ELSEWHERE.

VERY LITTLE IS KNOWN ABOUT JOC OIL COMPANY AT THIS TIME. TREASURY HAS BEEN INFORMED OF THE POSSIBLE TRANSACTION AND WILL BE STUDYING WHAT IF ANY ACTION OUR REGULATIONS GOVERNING TRADE WITH CUBA MIGHT APPLY TO THIS CASE. HOWEVER, UNLESS THERE ARE A SIGNIFICANT NUMBER OF AMERICANS ON THE BOARD OF DIRECTORS; IT APPEARS THAT "MORAL SUASION" WOULD BE OUR ONLY MEANS OF DISCOURAGING PARTICIPATION OF THE SUBSIDIARY IN THE TRANSACTION. (BROWNELL)

SILVEIRA TO VISIT SENEGAL AND PORTUGAL: BRAZILIAN FOREIGN MINISTER SILVEIRA LEAVES NEXT WEEK ON A TRIP TO SENEGAL AND PORTUGAL AS BRAZIL SEEKS A LARGER ROLE IN BLACK AFRICA AND IN THE PORTUGUESE-SPEAKING COMMUNITY. THE VISIT TO DAKAR IS BEING BILLED AS AN OPPORTUNITY TO DISCUSS INCREASED TRADE, BUT MEMBERS OF THE PARTY WILL PROBABLY MADE USE OF THE OPPORTUNITY TO FAN OUT AND MEET WITH LEADERS OF THE FORMER PORTUGUESE TERRITORIES. THE ESTABLISHMENT OF DIPLOMATIC RELATIONS WITH GUINEA-BISSAU MAY ALSO BE ANNOUNCED DURING THE VISIT. IN PORTUGAL, SILVEIRA MAY SEEK TO SIGNAL HIS GOVERNMENT'S DESIRE FOR IMPROVED RELATIONS WITH LISBON AND TO POINT UP BRAZIL'S POTENTIAL USEFULNESS TO LISBON AS A GO-BETWEEN WITH PORTUGUESE-SPEAKING AFRICA. (BROWNELL)

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